

**THE CITY OF HENDERSON  
REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

**JUNE 30, 2008**

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

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GALLINA<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Members of the City of Henderson  
Redevelopment Agency Board

We have audited the accompanying financial statements of the City of Henderson Redevelopment Agency (Agency), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the City of Henderson  
Redevelopment Agency Board

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Agency's basic financial statements. The supplemental information identified in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The supplemental information, identified as the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance by Project Area have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gallina LLP*

Roseville, California  
November 10, 2008

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Management's Discussion and Analysis  
June 30, 2008

As management of the City of Henderson Redevelopment Agency's (Agency) finances, we offer readers of the City of Henderson Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2008.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Henderson Redevelopment Agency's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$14,280,972.
- The City of Henderson Redevelopment Agency's total liabilities on the Statement of Net Assets increased by \$2,152,633 (12.3 percent) during the current fiscal year.
- As of the close of the current fiscal year, the City of Henderson Redevelopment Agency's governmental fund reported ending fund balances of \$28,617,520 an increase of \$8,543,506 in comparison with the prior year. Approximately 36% of this amount is unreserved fund balance.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Henderson Redevelopment Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Henderson Redevelopment Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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Both of the government-wide financial statements show all four of the redevelopment areas (Downtown, Cornerstone, Tuscany, and Eastside), which are principally supported by tax increment from ad valorem receipts. All redevelopment activity of the Agency, regardless of area, is included in the general government function, since the Agency is a single-purpose entity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Henderson Redevelopment Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the activity of the Agency is recorded in the governmental fund category.

**Governmental Funds.** The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The Agency maintains one governmental fund, the General Fund.

The City of Henderson Redevelopment Agency adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements (and reconciliations to the government-wide financial statements) can be found on pages 11 through 15 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-33 of this report.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The net assets of the City of Henderson Redevelopment Agency's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$14,280,972. The net assets include the Agency's investment in capital assets (e.g., equipment, land), less any related debt used to acquire those assets that is still outstanding. There was no debt related to capital assets outstanding at June 30, 2008, and as such, the Agency's investment in capital assets as of June 30, 2008 was \$211,513. The Agency acquired these capital assets for two purposes: (1) to assist in creating opportunity sites for redevelopment in the Downtown Redevelopment Area; and (2) to undertake special events to bring vitality to Downtown.

**City of Henderson Redevelopment Agency's Net Assets**

	Governmental Activities	
	2008	2007
Current and other assets	\$33,788,709	\$22,180,299
Capital assets	211,513	219,067
Total assets	34,000,222	22,399,366
Long-term liabilities	18,342,947	16,240,859
Other liabilities	1,376,303	1,325,758
Total liabilities	19,719,250	17,566,617
Net assets:		
Invested in capital assets, net of related debt	211,513	219,067
Unrestricted	14,069,459	4,613,682
Total net assets	\$14,280,972	\$4,832,749

Total assets of the Agency at June 30, 2008 were \$34,000,222 with capital assets, net of accumulated depreciation, accounting for \$211,513 of that total. Of the total liabilities of \$19,719,250, approximately 93% represent liabilities related to long-term debt of the Agency.

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**City of Henderson Redevelopment Agency's Changes in Net Assets**

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$34,520	\$28,343
Operating grants and contributions	385,276	398,020
Capital grants and contributions	-	-
General revenues		
Property taxes	13,033,975	10,651,636
Unrestricted investment earnings	1,110,090	718,144
Transfer of capital assets to City	-	(3,172,672)
Total revenues	14,563,861	8,623,471
Expenses:		
General government	5,115,638	4,576,155
Total expenses	5,115,638	4,576,155
Increase (Decrease) in net assets	9,448,223	4,047,316
Net assets, July 1	4,832,749	785,433
Net assets, June 30	\$14,280,972	\$4,832,749

Total revenues for the year ended June 30, 2008 were \$14,563,861 consisting primarily of taxes and operating grants and contributions, while total expenses were \$5,115,638. This resulted in an increase in net assets of \$9,448,223 – primarily due to a 22% increase in property tax increment revenues offset by a 11% increase in project expenses.

At the end of the current fiscal year, the Agency is able to report a positive balance in both of its two categories of net assets, “invested in capital assets, net of related debt,” and “unrestricted.”

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the City of Henderson Redevelopment Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City of Henderson Redevelopment Agency's governmental fund reported an ending fund balance of \$28,617,520, an increase of \$8,543,506 in comparison with the prior year. Approximately 36% of this amount is unreserved fund balances. The increase is a result of unspent property tax increment to be applied to redevelopment projects in future fiscal years.



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As a measure of the Agency's liquidity, it may be useful to compare the unreserved fund balance to fund expenditures. Unreserved fund balance represents 199% of total fund expenditures, including debt service expenditures. This increased fund balance will give the Agency's General Fund sufficient cash to meet its near-term operational obligations.

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and final amended budget are summarized below.

- Revenue estimates increased by \$435,838, which was an increase in taxes, intergovernmental, and interest revenue. The initial revenue estimates received from the State of Nevada do not include new construction which is added to the tax rolls in July after the original budget is adopted.
- Budgeted expenditures were increased by \$881,956 to represent the estimated operational needs of the Agency.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City of Henderson Redevelopment Agency's investment in capital assets as of June 30, 2008, amounted to \$211,513 (net of accumulated depreciation). This investment in capital assets consists of equipment and leasehold improvements for the Agency's office. Additional information on the Agency's capital assets is provided in Note 6 of the notes to financial statements.

**Long-Term Debt.** At the end of the fiscal year, the City of Henderson Redevelopment Agency had total bonded debt outstanding of \$14,780,000. Of this amount, \$10,845,000 is considered tax allocation debt of senior bonds and \$3,935,000 is tax allocation debt of junior bonds. The remainder of long-term debt includes an advance from the City for the purchase of land to satisfy a redevelopment project loan guaranty and compensated absences and post employee benefits.

**City of Henderson Redevelopment Agency's Outstanding Long-Term Debt**

	Governmental Activities	
	2008	2007
Tax allocation bonds	\$15,320,000	\$15,840,000
Note payable/Advances from City	3,380,248	791,592
Compensated absences and other post employment benefits	191,933	135,942
<b>Total</b>	<b>\$18,892,181</b>	<b>\$16,767,534</b>

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In fiscal year 2008, the City of Henderson provided an advance to the Agency in the amount of \$2,588,656 in order for the Agency to cure a loan of a developer in which the Agency was the guarantor.

In June 2002, the City of Henderson Redevelopment Agency received a bond rating of "AAA" on the Senior 2002 Bonds from Standard and Poor's. The junior bonds were not rated.

Additional information on the City of Henderson Redevelopment Agency's long-term debt can be found in Note 8 of the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Nevada's redevelopment agencies heavily rely upon tax increment, or the incremental value of ad valorem tax and personal property tax above the base year, as a primary revenue source. While tax increment for the Agency was anticipated to increase modestly, there is always the opportunity for casinos and other commercial taxpayers to request tax exemptions, which could adversely impact tax increment revenue for the Agency. No adjustments were realized in fiscal year 2008.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single-family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low-income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not owner occupied. The 8% cap will also apply to land, commercial buildings, business personal property, aircraft, etc. New construction or property that has a change of use (zoning change or manufactured homed conversion) in the current year will not qualify for any cap until the following fiscal year.

This factor was considered in preparing the City of Henderson Redevelopment Agency budget for the 2008-2009 fiscal year.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Henderson Redevelopment Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Henderson Redevelopment Agency, Attn: Principal Redevelopment Administrator, P.O. Box 95050, MSC 135, Henderson, Nevada 89009-5050.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 15,480,769
Accounts receivable	35,852
Due from other governments	466,618
Interest receivable	111,765
Notes receivable	6,352,917
Land held for resale	10,786,310
Deferred charges	554,478
Capital assets (net of accumulated depreciation) Being depreciated	<u>211,513</u>
Total Assets	<u>34,000,222</u>
<b>Liabilities</b>	
Accounts payable and accrued wages	106,832
Accrued interest payable	460,857
Deposits held for others	200,000
Due to other agencies	59,380
Noncurrent liabilities:	
Due within one year - Notes, Bonds and Compensated Absences	549,234
Due in more than one year:	
Compensated absences	154,485
Other post employment benefit (OPEB) liability	28,214
Notes and Bonds payable	14,780,000
Advances from City of Henderson	<u>3,380,248</u>
Total Liabilities	<u>19,719,250</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	211,513
Unrestricted	<u>14,069,459</u>
Total Net Assets	<u>\$ 14,280,972</u>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Statement of Activities  
For the Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>				
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 4,091,735	\$ 34,520	\$ 385,276	\$ --
Interest and other fiscal charges	1,023,903	--	--	--
	<u>\$ 5,115,638</u>	<u>\$ 34,520</u>	<u>\$ 385,276</u>	<u>\$ --</u>
General Revenues:				
Tax increment				13,033,975
Unrestricted investment earnings				1,110,090
Total general revenues				<u>14,144,065</u>
Change in net assets				9,448,223
Net assets, beginning of year				4,832,749
Net assets, end of year				<u>\$ 14,280,972</u>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Balance Sheet  
 Governmental Fund-General Fund  
 June 30, 2008

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 15,480,769
Accounts receivable	35,852
Interest receivable	111,765
Due from other governments	466,618
Notes receivable	5,867,942
Land held for resale	<u>10,786,310</u>
 Total assets	 <u>\$ 32,749,256</u>
<b>LIABILITIES</b>	
Accounts payable and accrued wages	\$ 106,832
Deposits held for others	200,000
Due to other agencies	59,380
Deferred revenue	385,276
Advances from City of Henderson	<u>3,380,248</u>
 Total liabilities	 <u>4,131,736</u>
<b>FUND BALANCES</b>	
Reserved for:	
Land held for resale	10,786,310
Debt service	1,389,130
Notes receivable	5,867,942
Encumbrances	172,143
Unreserved and undesignated	<u>10,401,995</u>
 Total fund balances	 <u>28,617,520</u>
 Total liabilities and fund balances	 <u>\$ 32,749,256</u>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Reconciliation of the Balance Sheet of the Governmental Fund  
to the Statement of Net Assets  
June 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance for the governmental fund as shown on the balance sheet		\$ 28,617,520
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Capital assets	\$ 262,985	
Less: accumulated depreciation	<u>(51,472)</u>	
		211,513
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Bond costs- deferred charges	\$ 708,503	
Less: amortization of bond costs	(154,025)	
Accrued interest on long-term notes receivable	<u>484,975</u>	
		1,039,453
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental fund		
		385,276
Long-term liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental fund		
Bonds and notes payable	\$ (15,320,000)	
Accrued interest payable	(460,857)	
Compensated absences	(163,719)	
Other post employment benefit (OPEB) liability	<u>(28,214)</u>	
		<u>(15,972,790)</u>
Total net assets for governmental activities as shown on the Statement of Net Assets		<u>\$ 14,280,972</u>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Statement of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Governmental Fund-General Fund  
 For the Year Ended June 30, 2008

	<u>General Fund</u>
<b>Revenues</b>	
Tax increment	\$ 13,033,975
Interest revenues	694,697
Miscellaneous	<u>34,520</u>
Total Revenues	<u>13,763,192</u>
 <b>Expenditures</b>	
Current:	
General government:	
Salaries and wages	733,129
Employee benefits	290,549
Services and supplies	1,242,294
Program costs	<u>1,593,990</u>
Total General Government	<u>3,859,962</u>
Debt service:	
Principal payments	520,000
Interest payments	<u>839,724</u>
Total Debt Service	<u>1,359,724</u>
Total Expenditures	<u>5,219,686</u>
 <b>Net Change in Fund Balance</b>	 8,543,506
Fund balances, beginning of year	<u>20,074,014</u>
 <b>Fund balances, end of year</b>	 <u><u>\$ 28,617,520</u></u>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of the Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance for the governmental fund as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 8,543,506
The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	<u>(7,554)</u>	(7,554)
Revenues in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental fund.		
Change in accrued interest on notes receivable	247,165	
Change in deferred revenue	<u>385,276</u>	632,441
The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on Net Assets.		
Accrued interest payable	(153,374)	
Repayment of principal	<u>520,000</u>	366,626
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Amortization of bond fees	(30,805)	
Change in other post employment (OPEB) liability	(28,214)	
Change in compensated absences	<u>(27,777)</u>	<u>(86,796)</u>
Changes in Net Assets of governmental activities as shown on the Statement of Activities		<u>\$ 9,448,223</u>

The accompanying notes are an integral part of these financial statements.



**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Governmental Fund-General Fund  
For the Year Ended June 30, 2008

	2008 Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 10,873,705	\$ 11,233,704	\$ 13,033,975	\$ 1,800,271
Interest and rent revenues	--	160,839	694,697	533,858
Miscellaneous	215,000	130,000	34,520	(95,480)
<b>Total Revenues</b>	<b>11,088,705</b>	<b>11,524,543</b>	<b>13,763,192</b>	<b>2,238,649</b>
<b>Expenditures</b>				
Current:				
General government:				
Salaries and wages	798,393	790,361	733,129	57,232
Employee benefits	335,587	343,619	290,549	53,070
Services and supplies	1,478,423	2,103,861	1,242,294	861,567
Program costs	1,436,345	1,692,863	1,593,990	98,873
<b>Total General Government</b>	<b>4,048,748</b>	<b>4,930,704</b>	<b>3,859,962</b>	<b>1,070,742</b>
Debt service:				
Principal payments	500,000	500,000	520,000	(20,000)
Interest payments	941,384	859,631	839,724	19,907
<b>Total Debt Service</b>	<b>1,441,384</b>	<b>1,359,631</b>	<b>1,359,724</b>	<b>(93)</b>
Capital Outlay	--	451,381	--	451,381
<b>Total Expenditures</b>	<b>5,490,132</b>	<b>6,741,716</b>	<b>5,219,686</b>	<b>1,522,030</b>
<b>Net Change in Fund Balance</b>	<b>5,598,573</b>	<b>4,782,827</b>	<b>8,543,506</b>	<b>3,760,679</b>
Fund balances, beginning of year	20,074,014	20,074,014	20,074,014	--
<b>Fund balances, end of year</b>	<b>\$ 25,672,587</b>	<b>\$ 24,856,841</b>	<b>\$ 28,617,520</b>	<b>\$ 3,760,679</b>

The accompanying notes are an integral part of these financial statements.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the City of Henderson Redevelopment Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. Reporting Entity**

The City of Henderson Redevelopment Agency is a blended component unit of the City of Henderson, Nevada and is governed by a five-member board composed of the four City Council members and the Mayor of the City of Henderson, Nevada.

On December 20, 1994, the City Council of the City of Henderson, acting pursuant to the provisions of the Nevada Community Redevelopment Law (NRS 279.382 to 279.680, inclusive), created by resolution the Henderson Redevelopment Agency (hereafter referred to as the Agency).

The Agency was established in the fiscal year 1996 as a separate and distinct legal entity to provide a diversified and strengthened economy in the central area of the City of Henderson, Nevada.

In October 1995, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Downtown Redevelopment Area. Subsequently, in November 2005, the Redevelopment Plan was amended to include 73.48 acres of newly annexed land to the Downtown Redevelopment Area.

In February 2001, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Cornerstone Redevelopment Area.

In March 2001, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Tuscany Redevelopment Area.

In February 2006, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Eastside Redevelopment Area.

**B. New Accounting Pronouncements**

As a blended component unit of the City of Henderson, the Agency was required to implement the following Governmental Accounting Standards Board Statements:

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

**B. New Accounting Pronouncements** (continued)

*Governmental Accounting Standards Board Statement No. 45*

This statement requires that governments account for, and report, the annual cost of other postemployment benefits (OPEB) and the outstanding obligation and commitments related to OPEB in the same manner as they currently do for pensions. The statement does not require that governments fund their OPEB plans, only that they account for them and report them. OPEB generally consists of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including their beneficiaries in some cases.

*Governmental Accounting Standards Board Statement No. 50*

GASB Statement No. 50 amends GASB Statement No. 27 to require employers participating in a single-employer or agent multiple-employer plan, to disclose information about the funded status of the plan. The information should be based on the most recent valuation date and is to be included in the notes to the financial statements.

**C. Government-Wide and Fund Financial Statements**

The Statement of Activities demonstrates the degree to which the direct expenses of the General Government function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statement provides information about the governmental activity of the Agency. The Agency reports no business type activities.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

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Notes to Financial Statements  
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Note 1: **Summary of Significant Accounting Policies** (continued)

**D. Measurement Focus and Basis of Accounting** (continued)

recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures (no later than sixty days after year-end).

The Agency reports deferred revenue in the fund financial statements balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The Agency's General Fund is the primary operating fund. It accounts for all financial resources of the Agency.

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

**E. Assets, Liabilities and Equity**

**1. Cash and Investments**

The Agency participates in the City of Henderson's pooled cash fund. The City pools the majority of its cash resources with the cash resources of the Agency in order to facilitate the management of cash and maximize investment earning potential. Cash applicable to the Agency is readily identifiable. The balances in the pool are available to meet current operating requirements.

**2. Property Taxes**

The Agency's main source of revenue is ad valorem property taxes. The Nevada Tax Commission must certify all tax rates on June 25, and property is liened on July 1. Property taxes are levied in July and are payable to the County Treasurer in four installments during August, October, January and March. Apportionment of taxes by Clark County, to the Agency, is made on a monthly basis.

The Agency receives that portion of ad valorem tax which is produced by the rate at which the tax is levied each year by all taxing entities in the redevelopment area, applied to that portion of the assessed valuation of all taxable property in the redevelopment area, which is in excess of the base year assessed valuation as certified by the Clark County Tax Assessor.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single-family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low-income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not owner occupied. The 8% cap will also apply to land, commercial buildings, business personal property, aircraft, etc. New construction or property that has a change of use (zoning change or manufactured homed conversion) in the current year will not qualify for any cap until the following fiscal year.

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

**E. Assets, Liabilities and Equity (Continued)**

**3. Land Held for Resale**

Land held for resale consists of property purchased in the defined redevelopment area with the intent that it will be transferred to the City or a developer in accordance with development agreements. The Development Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. The property is accounted for at the lower of cost, estimated net realizable value, or agreed-upon sales price if a disposition agreement has been made with a developer.

**4. Capital Assets**

Capital assets, which include land, improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the following useful lives:

Improvements	5 to 15 years
Equipment	5 years

**5. Compensated Absences**

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick leave is accrued when incurred in the government-wide financial statements. In governmental funds, the current portion of compensated absences, vacation leave, and sick leave actually paid or accrued as a result of employees who have terminated, is recorded as a payroll expenditure.

**6. Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

**E. Assets, Liabilities and Equity (Continued)**

For governmental fund types, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**7. Equity Classifications**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted Net Assets** – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Agency’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved. Reservations of fund balance consist of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

E. **Assets, Liabilities and Equity** (Continued)

8. **Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2: **Stewardship, Compliance and Accountability**

A. **Budgetary Information**

An annual budget is legally adopted for the General Fund of the Agency on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

Prior to April 15, the Treasurer of the Agency submits a tentative budget for the Agency for the ensuing fiscal year to the Agency Board, the Nevada Department of Taxation and the Citizens via public hearings. The Nevada Department of Taxation notifies the Agency whether or not the budget is in compliance with the appropriate regulations. Public hearings, at which all changes made to the tentative budget are indicated, are conducted on the third Tuesday in May. The Agency Board adopts the budget prior to June 1 and submits it to the Department of Taxation for final approval. The revenue classifications and expenditure functions shown in the financial statements are those prescribed by the Nevada Department of Taxation.

All revisions to the adopted budget are made a matter of public record by actions of the Agency Board. Per Nevada law, the budget officer is authorized to transfer budgeted amounts within functions if the Agency Board is notified at the next regular meeting and the action is noted in the official minutes. Revisions, which affect the total fund appropriations, are accomplished through formal Agency Board approval. Various supplemental appropriations were approved during the year to adjust resources available and to reflect corresponding changes in spending. Nevada law (NRS 354.626) requires budgetary control to be exercised at the function level in governmental funds.

The Agency uses an encumbrance system as an extension of normal budgetary accounting for the general fund. Under this system, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are



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Notes to Financial Statements  
 For The Year Ended June 30, 2008

Note 2: **Stewardship, Compliance and Accountability** (Continued)

A. **Budgetary Information** (Continued)

recorded as reservations of fund balance as they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward in the ensuing year's budget.

B. **Compliance with the Nevada Revised Statutes and the Nevada Administrative Code**

The Agency conformed to all significant statutory constraints on its financial administration during the year.

Note 3: **Cash and Investments**

A. **Summary of Deposit and Investment Balances**

The following is a summary of the Agency's deposit and investment balances of the governmental activities as of June 30, 2008:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Pooled cash and investments held by the City of Henderson	\$ 373,320	\$ 13,299,030	\$ 13,672,350
Investments	<u>1,808,419</u>	<u>--</u>	<u>1,808,419</u>
	<u>\$ 2,181,739</u>	<u>\$ 13,299,030</u>	<u>\$ 15,480,769</u>

B. **Deposits**

State statutes govern the Agency's deposit policies. Agency monies must be deposited in insured banks and savings and loan associations. The Agency is authorized to use demand accounts, time accounts and certificates of deposit.

State statutes do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible state investments. Permissible state investments include obligations of the U.S. Treasury, certain farm loan bonds, certain securities issued by Nevada local governments, repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit, and money market mutual funds. Allowable Agency investments are similar except that some state investments are longer term and include securities issued by municipalities outside of Nevada.

The Agency invests monies on its own and through pooling of monies with the City of Henderson. The pooling of monies, referred to as an internal investment pool, is

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Notes to Financial Statements  
 For The Year Ended June 30, 2008

Note 3: **Cash and Investments** (Continued)

B. **Deposits** (Continued)

theoretically invested on the whole, as a combination of monies from each fund belonging to the pool. In this manner, the City of Henderson's Finance Director is able to invest the monies at a higher interest rate for a longer period of time. Interest revenue is apportioned monthly to each fund in the pool based on the average cash balance of the fund for the month.

C. **Investments**

State statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. Agencies having maturity dates that do not extend more than ten years from the date of purchase, the state treasurer's investment pool, negotiable notes or short-term negotiable bonds issued by other local governments of the State of Nevada, banker's acceptances not exceeding 180 days maturity and eligible by law for rediscount with the Federal Reserve Banks and commercial paper issued by a corporation organized and operating in the U.S. that is purchased from a registered broker-dealer, with a remaining term of less than 270 days rated "A-1", "P-1" or better (purchases of banker's acceptances or commercial paper may not exceed 20 percent of the money available for local government investment). The Agency had no deposit or investment policy that addressed a specific type of risk.

At June 30, 2008, the Agency had the following investments:

	<u>Cost</u>	<u>Fair Value and Carrying Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Pooled cash and investments held by the City of Henderson	\$ 13,672,350	\$ 13,672,350	not rated	3.14
Investments held with Fiscal Agent Money market mutual fund	<u>1,808,419</u>	<u>1,808,419</u>	AAA	--
	<u>\$ 15,480,769</u>	<u>\$ 15,480,769</u>		

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 4: **Notes Receivable**

As incentives to accomplish redevelopment efforts, the Agency negotiates and issues low-interest notes to provide gap financing to developers; for business recruitment, retention and expansion; and, to owner-occupied residents for home improvements.

The Agency had notes receivable outstanding at June 30, 2008, as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Advances to individuals and businesses, payable in monthly installments for a term of generally five years, including interest at 6-8%				
Principal	\$ 257,770	\$ 15,443	\$ (20,710)	\$ 252,503
Accrued interest	<u>538</u>	<u>17,072</u>	<u>(17,610)</u>	<u>--</u>
	<u>258,308</u>	<u>32,515</u>	<u>(38,320)</u>	<u>252,503</u>
Advances to an LLC, maximum amount is \$950,000, payments deferred for five years. Accrued interest at 5.3% per year.				
Principal	950,000	--	--	950,000
Accrued interest	<u>53,909</u>	<u>54,521</u>	<u>--</u>	<u>108,430</u>
	<u>1,003,909</u>	<u>54,521</u>	<u>--</u>	<u>1,058,430</u>
Sale of land to an LLC, secured by second deed of trust, payments due upon sale of units, interest accrues at 6% per year.				
Principal	840,000	--	(840,000)	--
Accrued interest	<u>91,932</u>	<u>58,449</u>	<u>(150,381)</u>	<u>--</u>
	<u>931,932</u>	<u>58,449</u>	<u>(990,381)</u>	<u>--</u>
Advances to an LLC, maximum amount is \$100,000, payable on demand. Accrued interest at 8% per year.				
Principal	100,000	--	(100,000)	--
Accrued interest	<u>8,840</u>	<u>9,007</u>	<u>(17,847)</u>	<u>--</u>
	<u>108,840</u>	<u>9,007</u>	<u>(117,847)</u>	<u>--</u>

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Notes to Financial Statements  
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Note 4: **Notes Receivable** (continued)

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Advances to an LLC, maximum amount is \$775,000, payments deferred 5 years. Accrued interest at 5.74% per year.				
Principal	\$ 775,000	\$ --	\$ --	\$ 775,000
Accrued interest	<u>79,764</u>	<u>100,943</u>	<u>--</u>	<u>180,707</u>
	<u>854,764</u>	<u>100,943</u>	<u>--</u>	<u>955,707</u>
Investment in an LLC, no dividend participation during first 5 years. Redeemable at original investment plus 4% simple interest for first 5 years. redeemable thereafter at equity share until 2014.				
Principal	600,000	--	--	600,000
Interest	<u>2,827</u>	<u>47,173</u>	<u>--</u>	<u>50,000</u>
	<u>602,827</u>	<u>47,173</u>	<u>--</u>	<u>650,000</u>
Sale of land to an LLC, secured by guarantee agreement and deed of trust. Interest accrues at 4.84%. Principal and accrued interest are due April 10, 2012				
Principal	--	778,909	(210,000)	568,909
Interest	<u>--</u>	<u>65,514</u>	<u>--</u>	<u>65,514</u>
	<u>--</u>	<u>844,423</u>	<u>(210,000)</u>	<u>634,423</u>
Default loan, secured by lien on the Pinnacle building. Currently, the Agency has initiated foreclosure proceedings.				
Principal	--	2,613,086	--	2,613,086
Interest	<u>--</u>	<u>80,324</u>	<u>--</u>	<u>80,324</u>
	<u>--</u>	<u>2,693,410</u>	<u>--</u>	<u>2,693,410</u>
Home Program Advances				
Principal	52,870	91,439	(35,866)	108,444
Interest	<u>--</u>	<u>5,696</u>	<u>(5,696)</u>	<u>--</u>
	<u>52,870</u>	<u>97,135</u>	<u>(41,562)</u>	<u>108,444</u>

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Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 4: **Notes Receivable** (continued)

	Balance <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2008</u>
Total Balance Outstanding				
Principal	\$ 3,575,640	\$ 3,498,878	\$ (1,206,576)	\$ 5,867,942
Accrued interest	237,810	438,699	(191,534)	484,975
	<u>\$ 3,813,450</u>	<u>\$ 3,937,577</u>	<u>\$ (1,398,110)</u>	<u>\$ 6,352,917</u>

In July 2004, the Agency approved the Disposition and Development Agreement for construction of the Parkline Lofts project, generally located at the southeast corner of Basic Road and Pacific Avenue. The Agency transferred property to the developer in exchange for a deferred loan of \$840,000, secured by a second deed of trust. In 2007, the developer defaulted on their construction loan (1<sup>st</sup> deed of trust), resulting in the developer's primary lender enforcing their lien against the property. In September 2007, the trustee filed a notice of default which ultimately resulted in the property being sold to the highest bidder at public auction in July 2008 for \$1.5 million. Since the sales proceeds did not cover all liens against the property, including the first deed of trust, the Agency does not expect to recover any of the principal or accrued interest on its loan. As of June 30, 2008, the entire note balance consisting of principal of \$840,000 and accrued interest of \$150,381, was deemed uncollectible and was written off.

Note 5: **Land Held for Resale**

For the fiscal year ended June 30, 2008, the change in land held for resale consisted of the following:

	Balance <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2008</u>
Downtown Redevelopment Area:				
Water Street Commons	\$ 3,441,661	\$ 107,701	\$ --	\$ 3,549,362
City Tower	644,219	--	(644,219)	--
Lake Mead Parkway	195,721	--	--	195,721
Texas / Atlantic Parking	425,181	--	--	425,181
Other	<u>507,906</u>	<u>385,292</u>	<u>--</u>	<u>893,198</u>
	5,214,688	492,993	(644,219)	5,063,462
Eastside Redevelopment Area	<u>3,247,637</u>	<u>2,477,188</u>	<u>(1,977)</u>	<u>5,722,848</u>
	<u>\$ 8,462,325</u>	<u>\$ 2,970,181</u>	<u>\$ (646,196)</u>	<u>\$ 10,786,310</u>

During the year, \$646,196 of land costs was transferred to developers in accordance with Development Disposition Agreements.

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Notes to Financial Statements  
For The Year Ended June 30, 2008

**Note 6: Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, being depreciated:				
Building and improvements	\$ 226,621	\$ --	\$ --	\$ 226,621
Equipment	<u>36,364</u>	<u>--</u>	<u>--</u>	<u>36,364</u>
Total capital assets, being depreciated	<u>262,985</u>	<u>--</u>	<u>--</u>	<u>262,985</u>
Less accumulated depreciation:				
Building and improvements	(7,554)	(7,554)	--	(15,108)
Equipment	<u>(36,364)</u>	<u>--</u>	<u>--</u>	<u>(36,364)</u>
Total accumulated depreciation	<u>(43,918)</u>	<u>(7,554)</u>	<u>--</u>	<u>(51,472)</u>
 Total capital assets, being depreciated, net	 <u>219,067</u>	 <u>(7,554)</u>	 <u>--</u>	 <u>211,513</u>
 Governmental activities capital assets, net	 <u>\$ 219,067</u>	 <u>\$ (7,554)</u>	 <u>\$ --</u>	 <u>\$ 211,513</u>

**Note 7: Advances from City of Henderson**

For the fiscal year ended June 30, 2008, the change in advances from the City of Henderson consisted of the following:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Land fund	\$ 621,261	\$ 2,588,656	\$ -	\$ 3,209,917
Park development fund	<u>170,331</u>	<u>-</u>	<u>-</u>	<u>170,331</u>
	<u>\$ 791,592</u>	<u>\$ 2,588,656</u>	<u>\$ -</u>	<u>\$ 3,380,248</u>

On August 19, 2008, the Agency reevaluated the advance from the City dated September 15, 2004, in the amount of \$791,592. The Agency Board and City Council approved a loan amendment whereby the Agency would repay the Park Development Fund the principal amount of \$170,331 and accrued interest on the original maturity date of September 15, 2008. The remaining balance related to the Land Fund would receive the interest accrued through September 15, 2008 at that date, but the Agency would continue to owe the principal amount of \$621,261 at an interest rate of 6% to September 15, 2012, with the option to extend the maturity date two additional three-year periods at the sole option of the City. Interest would be accrued and paid upon maturity or at extension date.

On November 20, 2007, the Agency borrowed \$2,588,655 from the City of Henderson's Land fund. The purpose of the loan was to fund the payment of amounts due under a guarantee agreement entered into on July 13, 2005. Interest accrues at 4.8% per year. All

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Notes to Financial Statements  
For The Year Ended June 30, 2008

**Note 7: Advances from City of Henderson**

principal outstanding and interest accrued are due and payable on the earlier of the sale of the Pinnacle Building property or November 20, 2012.

**Note 8: Long Term Debt**

The following schedule summarizes the changes in long-term debt of the Agency:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion</u>
\$4,295,000 2002 junior bonds due in annual installments beginning October 2006 through October 2025; interest varies between 5.1% and 7.2%	\$ 4,180,000	\$ --	\$ (120,000)	\$ 4,060,000	\$ 125,000
\$12,045,000 senior bonds due in annual installments beginning October 2006 through October 2025; interest varies between 3.5% and 5.25%	11,660,000	--	(400,000)	11,260,000	415,000
Compensated absences	135,942	41,024	(13,247)	163,719	9,234
Other post employment benefits (OPEB) liability	--	28,214	--	28,214	--
<b>Total Debt</b>	<b><u>\$ 15,975,942</u></b>	<b><u>\$ 69,238</u></b>	<b><u>\$ (533,247)</u></b>	<b><u>\$ 15,511,933</u></b>	<b><u>\$ 549,234</u></b>

The annual requirements to pay principal and interest on the outstanding bonds and notes payable are as follows:

Fiscal Year Ending	Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 540,000	\$ 817,622	\$ 1,357,622
2010	565,000	793,175	1,358,175
2011	590,000	765,671	1,355,671
2012	615,000	735,127	1,350,127
2013	650,000	702,790	1,352,790
2014-2018	3,775,000	2,965,384	6,740,384
2019-2023	4,915,000	1,790,938	6,705,938
2024-2027	3,670,000	328,292	3,998,292
	<b><u>\$ 15,320,000</u></b>	<b><u>\$ 8,898,999</u></b>	<b><u>\$ 24,218,999</u></b>

**Note 9: Retirement Plan**

The Agency, as a component unit of the City of Henderson, is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing multiple-employer defined benefit plan administered by PERS. All full-

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
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Notes to Financial Statements  
 For The Year Ended June 30, 2008

Note 9: **Retirement Plan** (Continued)

time employees are covered under the system. In addition, any part-time employees working at least twenty hours per week are covered. The City has no liability for unfunded obligations of the system as provided by Nevada Revised Statute (NRS) 286.110.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefits payments to which participants may be entitled under the Plan include pension benefits, disability benefits and death benefits.

Member contribution rates are established by NRS 286.450, which requires adjustments on each odd numbered year based on the actuarially determined contribution rate indicated in the biennial actuarial valuation. The Agency is enrolled in the employer pay contribution plan of PERS and is, therefore, required to contribute all amounts due under the Plan. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

The Agency's contribution rates and amounts contributed for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate</u>	<u>Total Required Contribution</u>	<u>Actual % Contributed of Required Contribution</u>
2007/08	20.50%	\$149,746	100%
2006/07	19.75%	\$125,345	100%
2005/06	19.75%	\$110,763	100%

Note 10: **Other Post-Employment Benefits (OPEB)**

As a blended component unit of the City of Henderson, the Agency is required to implement Governmental Accounting Standards Board Statements No. 45 and 50 beginning with the fiscal year ended June 30, 2008. The City of Henderson's annual OPEB cost for the fiscal year ended June 30, 2008, is \$5,881,000, of which the Agency's share is \$30,506. Amounts unpaid are recorded as a liability on the Statement of Net Assets.



**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Notes to Financial Statements  
 For The Year Ended June 30, 2008

Note 10: **Other Post-Employment Benefits (OPEB)**

The Agency's net OPEB obligation for the year ended June 30, 2008 is as follows:

<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation</u>
\$ 30,506	\$ 2,292	7.51%	\$ 28,214

Additional information can be obtained from the City's Comprehensive Annual Financial Report, available from the Finance Department.

Note 11: **Risk Management**

The Agency is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions. The Agency is covered under the City of Henderson's insurance policies, which provide health insurance coverage for its employees. The City carries insurance policies for liability, fire, theft, auto, inland marine, workers' compensation and Directors' and Officers' coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years for the Agency.

Note 12: **Commitments and Contingencies**

The Agency has entered into tax increment subordinate lien notes as part of owner participation agreements. The notes varied by amount of indebtedness, interest rate and maturity date and have been allocated to various parcels of land in their respective redevelopment area. The indebtedness is payable solely and exclusively from a predetermined percentage of the site tax increment received by the Agency on those specific parcels and is not payable from any other source. Because the requirements to repay the notes are contingent on the Agency receiving sufficient site tax increment on the specific parcels, these potential future obligations of the Agency have not been reflected in the Agency's financial statements. Instead, payments are charged to program costs when paid. The following summarizes the unique terms of each note:

- CS Lot 1 Land Purchase Note – Promissory note entered into on March 20, 2001, in the amount of \$3,100,000, payable over ten years. Interest at 9.5% accrues unless the Developer fails to meet the Private Improvement Schedule set forth in the note. The percentage of Site Tax Increment from which the note is to be paid is 25%. The proceeds from the note were used to purchase land, upon which a public improvement project will be built by the Developer. All unpaid principal and interest that remains due thirty years (30) after the date of the adoption of the Cornerstone Redevelopment Plan will be forgiven and deemed paid in full.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 12: **Commitments and Contingencies** (continued)

In 2005, the Agency entered into an agreement with Cornerstone Partners I, LLC to forgive \$744,486 in accrued interest to facilitate the rezoning of Lot 1 with residential improvements in exchange for the expected decrease in site tax increment. During the year, the Agency received site tax increment revenue and paid \$142,231 which was charged to program costs. Current balance on the CS Lot 1 Note at June 30, 2007 was \$3,666,620. Currently, interest is tolling since the developer has not met the private improvements criteria set forth in the note.

- Series B Bonds Note – Promissory note entered into on May 9, 2002, in the amount of \$6,250,000, payable over sixteen years. Interest at 6.9% accrues beginning December 1, 2002. The note is equal to the proceeds of the Series B Bonds issued by the City of Henderson. A separate agreement signed by the Developer and the City of Henderson assigned all payments on this note to the City of Henderson as an offset to the principal and interest payments the City is obligated to pay on the Series B Bonds. The percentage of Site Tax Increment from which the note is to be paid is 40%. During the year the Agency received site tax increment revenue and paid \$143,607 in interest which was charged to program costs.
- Shortfall Note – Promissory note, which provides that the property owners will advance the Agency the amount of the payments due on the Series B Bonds Note when due, reduced by the available site tax increment received by the Agency. Interest at 6.9% accrues unless the Developer fails to meet the Private Improvement Schedule set forth in the note. The amount from which the note is to be paid is the remainder of 40% of the site tax increment after payment on the Series B Bond Note. The property owners advanced the Agency \$378,703 for payment due on the Series B Bond Note during the fiscal year. Current balance on the shortfall note at June 30, 2007 was \$2,490,015. Currently, interest is tolling since the developer has not met the private improvements criteria set forth in the note.
- Promissory note entered into on April 10, 2007, in the amount of \$274,002, maturing October 1, 2030. Interest accrues at 4.51%. Repayment is due on April 1 and October 1 of each year. All amounts owing, including interest, are subordinate to CS Lot 1 Promissory Note, the Shortfall Promissory Note and the 18% housing set-aside and no payment is due until these existing indebtedness have been satisfied. The Agency's obligation is wholly contingent and dependent upon the receipt of site tax increment. Provided that there are no other defaults under the notes, the Developer is to forgive any and all amounts due under the notes, including accrued interest, penalties and fees.

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Notes to Financial Statements  
For The Year Ended June 30, 2008

Note 12: **Commitments and Contingencies** (continued)

- Commitment – On October 16, 2008, the Agency entered into an Owner Participation Agreement which provides that the Agency reimburse the developer up to \$170 million for public improvements from 50% of the tax increment received from the project. Interest at is at 8% but will toll when interest reaches \$39 million in total. As of June 30, 2008, the Developer has not completed any public improvements, however the Agreement provides that the Agency set aside 50% of the tax increment received from the project on October 1 and April 1 as restricted cash until such times that a reimbursement is submitted and approved. To date, \$91,383 has been placed in the restricted cash account. The Agency's obligation is wholly contingent and dependent upon receipt of project site tax increment. All unpaid principal and interest that remains owed thirty (30) years after the date of adoption of the Eastside Redevelopment Plan will be forgiven and deemed paid in full.

Note 13: **Subsequent Events**

In 2004, the Agency approved the Disposition and Development Agreement for construction of the Pinnacle building located at 203 Water Street. The Agency provided the developer with a deferred loan of \$950,000 as well as a credit enhancement in the form of a guaranty agreement for the developer's construction and term loans in the event of default during construction, leasing or term out.

In October 2007, the construction and term loans were in default and the developer was unable to cure the loans. It became necessary for the Agency to fulfill the guaranty on the loan with the lender, which when cured, would result in the Agency assuming ownership of the Pinnacle building. On December 31, 2007, the amount of \$2,588,656 was paid to the developer's lender. Payment resulted in the recording of a note receivable to the developer in the same amount.

On August 29, 2008, the Agency implemented foreclosure proceedings against the developer by recording a notice of default under the terms of the deed of trust. If not redeemed within the period allowed by law, the tentative date for foreclosure sale is December 19, 2008. At that time, the building will either be sold or the Agency will acquire ownership.

**SUPPLEMENTAL INFORMATION**

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Balance Sheet - By Project Area  
 Governmental Fund-General Fund  
 June 30, 2008

	<u>Downtown</u>	<u>Tuscany</u>	<u>Cornerstone</u>	<u>Eastside</u>	<u>Administration</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and Investments	\$ 7,623,157	\$ 5,842,038	\$ 209,071	\$ 1,706,838	\$ 99,665	\$ 15,480,769
Accounts receivable	14,150	680	4,918	59	16,045	35,852
Interest receivable	47,556	50,189	3,070	10,950	--	111,765
Notes receivable	5,813,690	--	--	54,252	--	5,867,942
Due from other governments	437,732	3,418	435	25,033	--	466,618
Land held for resale	5,063,462	--	--	5,722,848	--	10,786,310
Due from other RDA Funds	--	--	--	--	34,226	34,226
<b>Total assets</b>	<u>\$ 18,999,747</u>	<u>\$ 5,896,325</u>	<u>\$ 217,494</u>	<u>\$ 7,519,980</u>	<u>\$ 149,936</u>	<u>\$ 32,783,482</u>
<b>LIABILITIES</b>						
Accounts payable and accrued wages	\$ 56,331	\$ 680	\$ 7,142	\$ 7,170	\$ 35,509	\$ 106,832
Deposits held for others	200,000	--	--	--	--	200,000
Due to other agencies	--	--	59,380	--	--	59,380
Deferred revenue	385,276	--	--	--	--	385,276
Advances from City of Henderson	3,380,248	--	--	--	--	3,380,248
Due to other RDA Funds	--	--	--	34,226	--	34,226
<b>Total liabilities</b>	<u>4,021,855</u>	<u>680</u>	<u>66,522</u>	<u>41,396</u>	<u>35,509</u>	<u>4,165,962</u>
<b>FUND BALANCES</b>						
Reserved for:						
Land held for resale	5,063,462	--	--	5,722,848	--	10,786,310
Debt service	1,389,130	--	--	--	--	1,389,130
Notes receivable	5,813,690	--	--	54,252	--	5,867,942
Encumbrances	62,491	--	70,458	23,669	15,525	172,143
Unreserved and undesignated	2,649,119	5,895,645	80,514	1,677,815	98,902	10,401,995
<b>Total fund balances</b>	<u>14,977,892</u>	<u>5,895,645</u>	<u>150,972</u>	<u>7,478,584</u>	<u>114,427</u>	<u>28,617,520</u>
<b>Total liabilities and fund balances</b>	<u>\$ 18,999,747</u>	<u>\$ 5,896,325</u>	<u>\$ 217,494</u>	<u>\$ 7,519,980</u>	<u>\$ 149,936</u>	<u>\$ 32,783,482</u>

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - By Project Area  
Governmental Fund - General Fund  
For the Year Ended June 30, 2008

	Downtown	Tuscany	Cornerstone
<b>Revenues</b>			
Tax increment	\$ 4,266,283	\$ 3,429,352	\$ 632,170
Interest and rent revenue	377,202	247,586	25,430
Miscellaneous	33,170	--	--
<b>Total Revenues</b>	<u>4,676,655</u>	<u>3,676,938</u>	<u>657,600</u>
<b>Expenditures</b>			
Current:			
General government:			
Salaries and wages	310,963	--	--
Employee benefits	123,111	--	--
Services and supplies	534,850	680	378,846
Program costs	1,342,653	(680)	(11,839)
<b>Total General Government</b>	<u>2,311,577</u>	<u>--</u>	<u>367,007</u>
Debt service:			
Principal payments	520,000	--	--
Interest payments	839,724	--	--
<b>Total Debt Service</b>	<u>1,359,724</u>	<u>--</u>	<u>--</u>
<b>Total Expenditures</b>	<u>3,671,301</u>	<u>--</u>	<u>367,007</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,005,354</u>	<u>3,676,938</u>	<u>290,593</u>
Other Financing Sources and Uses:			
Transfer from other RDA funds	--	--	--
Transfer to other RDA funds	--	(574,925)	(56,278)
<b>Total Other Financing Sources and Uses</b>	<u>--</u>	<u>(574,925)</u>	<u>(56,278)</u>
<b>Net Change in Fund Balance</b>	1,005,354	3,102,013	234,315
Fund balances, beginning of year	<u>13,972,538</u>	<u>2,793,632</u>	<u>(83,343)</u>
<b>Fund balances, end of year</b>	<u>\$ 14,977,892</u>	<u>\$ 5,895,645</u>	<u>\$ 150,972</u>

continued

**THE CITY OF HENDERSON REDEVELOPMENT AGENCY**  
*(A Component Unit of the City of Henderson, Nevada)*

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - By Project Area  
Governmental Fund - General Fund (continued)  
For the Year Ended June 30, 2008

	Eastside	Administration	Total
<b>Revenues</b>			
Tax increment	\$ 4,706,170	\$ --	\$ 13,033,975
Interest and rent revenue	44,215	264	694,697
Miscellaneous	1,350	--	34,520
<b>Total Revenues</b>	<u>4,751,735</u>	<u>264</u>	<u>13,763,192</u>
<b>Expenditures</b>			
Current:			
General government:			
Salaries and wages	171,255	250,911	733,129
Employee benefits	69,973	97,465	290,549
Services and supplies	131,092	196,826	1,242,294
Program costs	292,018	(28,162)	1,593,990
<b>Total General Government</b>	<u>664,338</u>	<u>517,040</u>	<u>3,859,962</u>
Debt service:			
Principal payments	--	--	520,000
Interest payments	--	--	839,724
<b>Total Debt Service</b>	<u>--</u>	<u>--</u>	<u>1,359,724</u>
<b>Total Expenditures</b>	<u>664,338</u>	<u>517,040</u>	<u>5,219,686</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,087,397</u>	<u>(516,776)</u>	<u>8,543,506</u>
Other Financing Sources and Uses:			
Transfer from other RDA funds	--	631,203	631,203
Transfer to other RDA funds	--	--	(631,203)
<b>Total Other Financing Sources and Uses</b>	<u>--</u>	<u>631,203</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	4,087,397	114,427	8,543,506
Fund balances, beginning of year	<u>3,391,187</u>	<u>--</u>	<u>20,074,014</u>
<b>Fund balances, end of year</b>	<u>\$ 7,478,584</u>	<u>\$ 114,427</u>	<u>\$ 28,617,520</u>

**OTHER REPORTS**





GALLINA<sub>LLP</sub>

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the City of Henderson  
Redevelopment Agency Board  
City of Henderson, Nevada

We have audited the accompanying financial statements of the City of Henderson Redevelopment Agency (the "Agency"), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the City of Henderson  
Redevelopment Agency Board  
City of Henderson, Nevada

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Henderson Redevelopment Agency in a separate letter dated November 10, 2008.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



Roseville, California  
November 10, 2008

**AUDITOR'S COMMENTS**

**AUDITOR'S COMMENTS**

**STATUTE COMPLIANCE**

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note II to the financial statements.

**PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE**

There were no potential statute violations reported in the June 30, 2007 audit report.

**PRIOR YEAR RECOMMENDATIONS**

There were no specific recommendations made in the audit report for the year ended June 30, 2007.

**CURRENT YEAR RECOMMENDATIONS**

We did not find any financial weaknesses of a magnitude to justify inclusion within this audit report.